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C O N F I D E N T I A L SECTION 01 OF 02 TEGUCIGALPA 002424

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STATE FOR EB/IFD, WHA/EPSC, AND WHA/CEN  
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TAGS: [EFIN](#) [ECON](#) [KCOR](#) [ETRD](#) [PGOV](#) [PINR](#) [KMCA](#) [KJUS](#) [HO](#)  
SUBJECT: HONDURAS: TAX SERVICE STRENGTHENS INTERNAL  
AFFAIRS UNIT TO CRACK DOWN ON CORRUPTION

Classified By: Classified By: Economic Chief Patrick Dunn for reasons 1  
.4 (b) and (d).

11. (C) Summary: The tax authority,s internal affairs unit, known as the Transparency Unit, has mounted a vigorous effort over the last 18 months to investigate and combat corruption within the tax and customs services. Anecdotal evidence suggests that the dismissals for corruption have had an appreciable impact in lowering the incidence of corruption within the organization. At Director Duarte,s request, Department of Treasury is providing technical assistance to strengthen this unit, equipping it with better investigative techniques. Foremost among these will be investigating employees living champagne lifestyles on cheap-beer incomes. The GOH judiciary remains weak, and successfully prosecuting these cases in court continues to be an uphill battle at best. Yet improved investigative techniques, a dedicated corps of agents, and a willingness to root out and fire corrupt officials strike us as excellent first steps. End Summary.

12. (C) The Executive Revenue Directorate (DEI, the GOH equivalent of the USG,s Internal Revenue Service) Internal Affairs Unit, known as the Transparency Unit (TU), is charged with investigating fraud or corruption in the customs and tax services, as well as responding to complaints from taxpayers. Divided into three units (taxes, customs, and complaints, respectively), the Transparency Unit was formed five years ago in an attempt to curb rampant corruption in the tax service. Most agents were recruited from police departments, but were inexperienced in internal investigations techniques. The unit got off to a slow start, until about 18 months ago when then-Director of the DEI, Mario Duarte, tasked them with mounting an anti-corruption investigation into the customs service. That highly successful investigation led to the dismissal of over 20 customs inspectors for corruption. According to Department of Treasury representatives who have spoken with him, it is one of Transparency Unit Chief Carlos Gomez,s primary frustrations that, despite passing their investigatory findings to the prosecutor,s office, no suspects were convicted of a crime. Nonetheless, the TU,s efforts appear to be having an impact, as anecdotal evidence indicates a sharp drop-off in corruption within the DEI.

13. (SBU) To strengthen the TU, Duarte requested USD 35,000 in additional technical assistance from the U.S. Department of Treasury. On October 17, three Treasury agents arrived for three weeks of intensive instruction of TU members. The lead instructor comes from the Treasury Department,s Inspection General for Tax Administration, the Internal Affairs Unit for the U.S. IRS, where she is currently the director of training and formerly a special agent in charge. She and her team will teach courses on internal security and technical skills (such as investigation and interrogation techniques), interview skills for auditors and tax collectors, and financial investigations related to employees. This last class will be key in anti-corruption efforts, as it teaches the TU investigators to focus on employees with unexplained luxury lifestyles, far beyond the standard of living for the positions they hold in government.

14. (C) The financial investigation approach to anti-corruption being adopted by the TU closely mirrors comments made by Vice Minister of Justice Luis Fernando Suazo in an October 18 conversation with EconChief. Asked about the weak record of corruption prosecutions to date, Suazo lamented the difficulty of finding sufficient evidence of corruption to bring to court. Firms, he said, are careful to ensure that their financial books are in order, and it is extremely difficult to find a record or receipt of a bribe or other corrupt practice. To remedy this, he said, the GOH is considering, instead, requiring GOH employees with luxury lifestyles to justify their incomes. Rather than corruption per se, officials that fail to explain the source of their wealth could be charged with illicit earnings.

15. (C) Finally, Post has learned that the TU has reportedly been mounting an investigation into corruption by a senior DEI official in its San Pedro Sula office involving underpayment of customs fees on imports entering Honduras by

land. According to information provided to a Treasury representative active in fighting money laundering, the DEI TU attempted to collect conclusive evidence to prove its case, but was rebuffed in San Pedro. The TU has reportedly now secured the cooperation of the prosecutor,s office, which is reportedly preparing for an October 21 raid on the suspect,s office.

16. (C) Comment: Post is encouraged by these concrete efforts to strengthen anti-corruption efforts within the DEI and is pleased to be supporting these initiatives via Treasury,s technical assistance. We also welcome Vice Minister Suazo,s idea of improving results by attacking the same problem from a different angle. The GOH judiciary remains weak, and successfully prosecuting these cases in court continues to be an uphill battle at best. Yet improved investigative techniques, a dedicated corps of agents, and a willingness to root out and fire (if not send to jail) corrupt officials strike us as excellent first steps. Post will continue to work with the DEI and encourage other parts of the GOH to deepen the fight against corruption. End Comment.

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